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News Release

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FOR FURTHER INFORMATION
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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced today the issuance of 25 complaints and arrest warrants as part of Operation Swipe Out, a large-scale, white-collar crime initiative. In addition, eight individuals have either been convicted and sentenced or have pleaded guilty and are awaiting sentencing. In all, 33 individuals have been charged in this investigation. Most of the individuals, all foreign nationals, are co-conspirators in a loosely organized criminal enterprise, which operates on the east coast, and is primarily involved in credit card, social security, immigration, and mortgage fraud. To date, this enterprise has caused at least \$5 million in losses to credit card companies and banks as part of their criminal activities.

The charges include conspiracy to commit credit card fraud, misuse of a social security account number, false procurement of citizenship, conspiracy to commit bank fraud, and identity theft. A number of those charged are subject to deportation for immigration violations. In addition, some of them fraudulently obtained citizenship, which they face losing as a result of the charges. Specific charges depend on the circumstances of each case. Maximum penalties range from 5-30 years imprisonment, \$250,000-\$1,000,000 in fines, and 3-5 years supervised release depending on the charge.

In addition to executing arrest warrants, federal agents executed search warrants today at two businesses located in the Eastern District of Virginia, Metro International Travel, Inc. and Super Travel Agency, Inc., which are suspected of being used by conspirators in the enterprise to commit credit card fraud.

At the heart of this conspiracy is what is commonly referred to as a credit card "bust-out" scheme. To further this scheme, conspirators recruited individuals, who, in the role of middle-men or "brokers," were responsible for obtaining credit cards in other people's names.

Before making fraudulent charges on the credit cards, the brokers would establish a higher credit limit on the cards by "developing" a credit file under the cardholders' identities. "Developing" is a process whereby, over a period of time, brokers made purchases using the cards, and made payments to the credit card companies to establish a strong credit history. The brokers continued this process until the credit limit for each card was maximized. Once a high credit limit was authorized for a particular credit card, the brokers brought the cards to collusive merchants, who were established businessmen willing to participate in the scheme in exchange for a portion of the fraud proceeds (typically 10% of the amount charged in each transaction). These

merchants would run the credit cards through their respective merchant credit card terminals to make it appear as if goods or services were being purchased on the credit cards when, in fact, no goods or services were purchased. The merchants would run up fraudulent charges on the cards until their respective credit lines were exhausted. Neither the cardholders nor anyone else would pay the credit card companies for the charges. The credit card companies would wire funds to the merchants as reimbursement for the transactions, unaware that the credit card charges were bogus. When they received payment from the credit card companies the merchants retained their 10% and paid the remaining 90% to the brokers by issuing a check to an individual or business under the control of the brokers. Sometimes the brokers would pay a portion of the proceeds to cardholders for allowing their credit cards to be used in the scheme. Some of the cardholders who provided cards to the brokers obtained credit cards under fake names and social security numbers.

In addition to credit card fraud, many of the individuals involved in the fraud ring have obtained identity documents (such as driver's licenses) using fake names and social security numbers. These individuals have used the fake identities to perpetrate not only their credit card bust-out scheme, but also immigration fraud and mortgage fraud.

Proceeds of the scheme have been transferred to overseas banks, including those in Pakistan and Canada.

Officials from the following seven agencies, who formed a task force to undertake this initiative, participated in the announcement: Federal Bureau of Investigation, Social Security Administration, Office of Inspector General, U.S. Immigration and Naturalization Service, U.S. Customs Service, Fairfax County Police Department, U.S. Secret Service, U.S. Postal Inspection Service.

Assistant United States Attorneys Steve A. Linick and Stephen M. Campbell and Special Assistant United States Attorney Spence Pryor are handling the prosecution for the United States Attorney's Office.

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